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No. 90- ~

IN THE

Supreme Court of the United States

OCTOBER TERM, 1990

THE MUNTERS CORPORATION,

Petitioner,

vs.

MATSUI AMERICA, INC.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

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QUESTIONS PRESENTED

1. Whether the Seventh Circuit Court of Appeals erred in ruling, contrary to the holdings of the other Circuits, *e.g., Wynn Oil Co. v. Thomas*, 839 F.2d 1183 (6th Cir. 1988) and *Dieter v. B&H Industries of Southwest Florida, Inc.*, 880 F.2d 322 (11th Cir. 1989), that in determining the likelihood of confusion between marks in an infringement action under the Trademark Act of 1946 (Lanham Act), 15 U.S.C. 1051 *et seq.*, an "incontestable" trademark is not presumed to have at least the strength of a descriptive mark with secondary meaning?

2. Whether the Seventh Circuit Court of Appeals erred in ruling, contrary to the holdings of other Circuits, that Matsui America, Inc. could defend the infringement claims of The Munters Corporation on the ground that the mark was merely descriptive after Munters' mark had achieved incontestable status under the Trademark Act of 1946 (Lanham Act), 15 U.S.C. 1051 *et seq.*, thus defeating a registrant's right to offensive use of its mark's incontestability in determining the question of likelihood of confusion between marks?

3. Whether the Seventh Circuit Court of Appeals adopted an interpretation of 15 U.S.C. §1115(b) which is contrary to the plain language of the statute and to the accurately expressed legislative purpose thereof?

4. Whether the Seventh Circuit Court of Appeals erred in affirming the District Court's ruling that Matsui's use of a mark in the same way that the trademark owner, Munters, used the mark is a "fair use" under Section 1115(b)(4) of the Lanham Act, an important question of

federal law which has not been but should be decided by this Court?

PARTIES

The parties named in the caption are the only parties to this action.

Pursuant to Supreme Court Rule 28.1, petitioner, The Munters Corporation, identifies its parent companies, subsidiaries (except wholly owned subsidiaries) and affiliates, as follows:

AB Carl Munters (parent)
Fack
S-191 Sollentuna 1
Sweden

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October Term, 1990

THE MUNTERS CORPORATION,

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v.

MATSUI AMERICA, INC.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

Petitioner hereby requests that this Court issue a writ of certiorari to review a judgment of the United States Court of Appeals for the Seventh Circuit entered August 2, 1990.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Seventh Circuit, which is reported at 909 F.2d 250, (7th Cir., 1990), is reprinted as Appendix A, pp. A1-5, of this petition.

The opinion of the United States District Court for the Northern District of Illinois, reported at 703 F. Supp. 790, (N.D. Ill., 1989) is reprinted in the Appendix at pp. A6-36.

JURISDICTION

The judgment of the Court of Appeals For The Seventh Circuit was entered in this action on August 2, 1990.

This petition for certiorari is filed within ninety (90) days of that date.

Neither party requested rehearing.

The jurisdiction of this court is invoked pursuant to 28 U.S.C. §1254(1).

STATUTES INVOLVED

The statutes involved in this petition are 15 U.S.C. §§1065 and 1115, which provide in full as follows:

> **§1065 Right To Use Mark Incontestable Under Certain Conditions**
>
> Except on a ground for which application to cancel may be filed at any time under paragraphs (3) and (5) of section 14 of this Act, and except to the extent, if any, to which the use of a mark regis-

tered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this Act of such registered mark, the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: *Provided*, That-

(1) there has been no final decision adverse to registrant's claim of ownership of such mark for such goods or services, or to registrant's right to register the same or to keep the same on the register; and

(2) there is no proceeding involving said rights pending in the Patent and Trademark Office or in a court and not finally disposed of; and

(3) an affidavit is filed with the Commissioner within one year after the expiration of any such five-year period setting forth those goods or services stated in the registration on or in connection with which such mark has been in continuous use for such five consecutive years and is still in use in commerce, and the other matters specified in paragraphs (1) and (2) of this section; and

(4) no incontestable right shall be acquired in a mark which is the generic name for the goods or services of a portion thereof, for which it is registered.

Subject to the conditions above specified in this section, the incontestable right with reference to a mark registered under this Act shall apply to a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905, upon the filing of the required affidavit with the Commissioner within one year after the expiration of any period of five consecutive years after the date of publication of a mark under the provisions of subsection (c) of section 12 of this Act.

The Commissioner shall notify any registrant who files the above-prescribed affidavit of the filing thereof.

§1115 Registration is Prima Facie Evidence; Defenses

(a) Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this Act and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude another person from proving any legal or equitable defense or defect, including those set forth in subsection (b), which might have been asserted if such mark had not been registered.

(b) To the extent that the right to use the registered mark has become incontestable under section 15, the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 15, or in the renewal application filed under the provisions of section 9 if the goods or services specified in the renewal are fewer in number, subject to any conditions or limitations in the registration or in such affidavit or renewal application. Such conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section 32, and shall be subject to the following defenses or defects:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used, by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services on or in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual

name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to (A) the date of constructive use of the mark established pursuant to section 7(c), (B) the registration of the mark under this Act if the application for registration is filed before the effective date of the Trademark Law Revision Act of 1988, or (C) publication of the registered mark under subsection (c) of section 12 of this Act: *Provided, however,* That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this Act or publication under subsection (c) of section 12 of this Act of the registered mark of the registrant, and not abandoned: *Provided, however,* That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States; or

(8) That equitable principles, including laches, estoppel, and acquiescence, are applicable.

STATEMENT OF THE CASE

Introduction

This case involves a conflict among the circuits with regard to the basic rights of the holders of trademarks under the Lanham Act, 15 U.S.C. §1051-1127. In the decision from which Petitioner seeks a writ of certiorari, the Seventh Circuit, contrary to at least the Sixth and Eleventh Circuits,[1] has held that a trademark registrant may not obtain injunctive relief against an alleged infringer in reliance on the incontestable status of its mark.[2] The Seventh Circuit Court of Appeals ruled that even though a registrant's mark has achieved incontestability status under 15 U.S.C §1065, the incontestability of the mark is to be given no weight in the determination of likelihood of confusion and the accused infringer may challenge the mark as "weak" or descriptive and without secondary meaning. This statutory interpretation was made despite the fact that "descriptiveness" is not enumerated in the statute as a defense to an incontestable mark. Thus the Court ruled that a registrant may not obtain injunctive relief based on the conclusive presumption provided by 15 U.S.C §1115(b) that the mark is not merely descriptive.

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[1] *Wynn Oil Co. v. Thomas*, 839 F.2d 1183 (6th Cir. 1988); and *Dieter v. B&H Industries of Southwest Florida, Inc.*, 880 F.2d 322 (11th Cir. 1989).

[2] Pursuant to 15 U.S.C. §1115(b) incontestable status of a registered mark means that the registration is "conclusive evidence...of the registrant's exclusive right to use the registered mark in commerce," subject to certain enumerated defenses. *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 194, 105 S. Ct. 658, 661-662 (1988).

The Seventh Circuit, acknowledging its conflict with critics in other Circuits, held that incontestability only provides a defense to an attack on the validity of a federal trademark registration but does not prevent an accused infringer from challenging the mark as merely descriptive in determining the issue of likelihood of confusion. Thus the Court held, in effect, that incontestability does not permit the registrant to use the mark offensively to enjoin the use of the mark by another.

This same issue is presently the subject of a petition for certiorari in the case of *B&H Industries of Southwest Florida, Inc. v. Richard A. Dieter et al.*, No. 89-1193.[3] In that case this Court invited the Solicitor General of the United States to file a brief expressing the views of the United States on the issue. The Solicitor General's *amicus curiae* brief notes the conflict in the Circuits mentioned here and specifically refers to the Seventh Circuit's decision in this case as demonstrating that conflict. The Solicitor General therefor recommended review by this Court of that conflict; that conflict is the same conflict for which review is sought in this case.

The Seventh Circuit also affirmed the ruling of the District Court that Matsui America's use of the mark was a "fair use" under §1115(b)(4) of the Lanham Act. In doing so, the District Court concluded that Matsui did not use the mark as a trademark. This Court has not previously considered the requirement of the Lanham Act's "fair use" defense that the use be "otherwise than as a mark".

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[3] On petition from the decision in *Dieter v. B&H Industries of Southwest Florida, Inc., supra.*

The District Court Case

This trademark infringement action was originally brought in the United States District Court for the Northern District of Illinois. Plaintiff, The Munters Corporation (Munters) charged defendant, Matsui America, Incorporated (Matsui) with infringement of Munters' registered trademark "HONEYCOMBE" and sought injunctive relief pursuant to 15 U.S.C §§1114(1) and 1117. Matsui counterclaimed, seeking a declaratory judgment that its use of "Honeycomb" on its products was not an infringement of Munters' "HONEYCOMBE" mark.

Jurisdiction was vested in the District Court pursuant to 15 U.S.C §1121 and 28 U.S.C. §1338.

Munters manufactures in this country and sells industrial environmental control apparatus, such as heating, ventilation, and cooling equipment, including dehumidifying apparatus. All Munters' dehumidifying apparatus uses a wheel or rotor formed of spirally wound layers of corrugated paper sheets coated with a desiccant material.[4] In the dehumidifying apparatus the wheel is slowly rotated and moist air is passed through the channels formed in the wheel. The moisture in the air is removed, *i.e.*, absorbed, by the desiccant material. The moisture is then removed from the wheel by subjecting the wheel to hot air flow in a small part or sector of its path of rotation.

For about thirty years Munters (and its predecessor company Cargocaire) has been the exclusive source in the

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[4] A desiccant material is a drying agent applied to the surfaces of the corrugated paper to absorb moisture.

United States for dehumidifiers using desiccant wheels of this type.

Since 1960 Munters has sold dehumidifying apparatus, namely dehumidifiers and desiccant wheels, under or in connection with the trademark HONEYCOMBE. Munters refers to the dehumidifier units as "HONEYCOMBE dehumidifiers" and to the desiccant wheels (which are also sold separately as replacement parts) as "HONEYCOMBE wheels" or rotors.

Munters' HONEYCOMBE dehumidifying apparatus is useful in a wide range of industries. One such industry is the plastics industry. In that industry Munters' dehumidifying equipment is used for several purposes, *e.g.*, in the drying of plastic injection molds, drying of mold rooms, and drying of resin or plastic granules. Munters' dehumidifier products have been sold to the plastics industry for more than 10 years.

In October of 1961 Munters obtained Federal Trademark Registration No. 722,581 for the trademark HONEYCOMBE which it uses in connection with its dehumidifying apparatus. On October 10, 1967 Munters filed an affidavit with the Patent and Trademark Office in order to establish the incontestability of its mark in accordance with 15 U.S.C §1065. The mark thus achieved incontestable status, which established Munters' right to exclusive use of the mark subject only to the cancellation provisions of 15 U.S.C §1064 and the defenses enumerated in 15 U.S.C §1115(b). The registration was renewed by October 10, 1981. The registration lists the goods it covers as "dehumidifying apparatus."

In about 1984 Matsui Manufacturing (Matsui's parent company in Japan) began marketing a dehumidifier in Japan using a desiccant wheel rotor similar in structure to Munters' wheel. In about 1986 Matsui was started in this country and began selling dehumidifier apparatus under the mark "Dehume Jet HONEYCOMB DMZ," with the word HONEYCOMB in type at least twice as large as the other words. Matsui's dehumidifier apparatus was offered to the plastics industry as a resin or granule hopper dryer, *i.e.*, a device located adjacent a mold and which dries plastic granules before they are melted and injected into the mold.

Munters first became aware of Matsui's use of the HONEYCOMB mark in November, 1987 as a result of a report concerning Matsui's "HONEYCOMB Dehumidifying Unit" in *Plastics Technology* magazine.

By letter dated December 7, 1987, Munters' counsel advised Matsui of Munters' objection to Matsui's use of the mark HONEYCOMB. The letter demanded that Matsui "cease and desist from all further uses of the term HONEYCOMB in the manner complained of herein..." After a period of negotiation Matsui's counsel proposed that:

> without any waiver of rights which MATSUI AMERICA, INC. has to use the subject words generally...MATSUI AMERICA INC. is willing to discontinue the use of *the word "HONEYCOMB"* in its advertising materials, provided that it is allowed to deplete its current stock of brochures and catalogs...
>
> Thereafter, MATSUI AMERICA INC. will delete from (or cease using in) its product literature

> and brochures *the word HONEYCOMB*... (emphasis added)

Matsui's counsel's proposal was accepted by a letter of May 26, 1988 from Munters' counsel "provided, however, that no use occurs after November 1, 1988." Sometime thereafter a copy of the May 26, 1988 letter was returned to Munters' counsel signed by an officer of Matsui beneath the inscription:

> Subject to the terms of the May 26, 1988 letter, MATSUI AMERICA, INC. agrees it will no longer use "HONEYCOMB" as a trademark after November 1, 1988.

In about March of 1989 Munters became aware that Matsui had placed an advertisement in *Plastics Technology* magazine in which Matsui repeatedly and prominently used "the word 'HONEYCOMB'" in the term "Honeycomb rotor."

When Munters learned of Matsui's March 1989 ad it filed this suit in the Federal District Court in the Northern District of Illinois. Munters sought a preliminary injunction, which was granted by the District Court on June 29, 1989.

During the preliminary injunction proceedings, trial and post-trial proceedings, Munters argued, *inter alia*, that Matsui had infringed Munters' incontestable mark and that the infringement should therefore be enjoined. Munters argued further that Matsui's contention that the mark was merely descriptive and "weak" should not be heard because such a defense was not available to an accused infringer of

a mark that had properly achieved incontestable status under §1065.[5]

Matsui stressed that the mark was merely descriptive, that it had a right to make such an argument in connection with the determination of likelihood of confusion between the marks, and that incontestability was not a factor to be considered in a likelihood of confusion analysis.

After issuing the preliminary injunction enjoining Matsui's use of HONEYCOMB, the District Court, on August 31, 1989, conducted a trial on the issue of whether Munters was entitled to a permanent injunction. On October 25, 1989, the District Court denied Munters' demand for a permanent injunction. Munters filed its Notice of Appeal on November 22, 1989.

The District Court concluded that it would give no consideration to the incontestability of Munters' registration in analyzing the issue of likelihood of confusion, relying on two earlier District Court decisions in the Northern District of Illinois for the proposition that "the conclusive presumption that the marks [are non-descriptive, or if descriptive,] have secondary meaning established by the statutory incontestability of plaintiff's...mark does not automatically transfer to a conclusive presumption of strength in a likelihood of confusion analysis" citing *Source Services Corp. v. Source Telecomputing*, 635 F. Supp. 600, 610 (N.D. Ill. 1986); and *Source Services Corp. v. Chicagoland Jobsource, Inc.*, 643 F. Supp. 1523 (N.D. Ill. 1986).

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[5] Munters also argued that the mark was not merely descriptive in any event.

The District Court went on to analyze the issue of the "strength" of Munters' HONEYCOMBE mark and found that as applied to its desiccant wheels the mark was "descriptive" and "relatively weak". A-21. Therefore, the District Court concluded there would be no likelihood of confusion.

The District Court further held that in any event Matsui's use of HONEYCOMB was a fair use under 15 U.S.C. §1115(b)(4) because Matsui used it "merely" to describe its desiccant wheel.

Matsui had used "HONEYCOMB" in several different ways, as follows:

1. In print advertising

Honeycomb rotor

2. In its brochure:

   a) In connection with its dryer

   Honeycomb drying system

   b) As an adjective for "rotor"

   HONEYCOMB ROTOR

   c) In a descriptive sentence

   is constructed like a honeycomb.

The Seventh Circuit Appeal

Munters appealed the decision of the District Court on the grounds that the District Court erred in finding no likelihood of confusion and particularly on the grounds that

the District Court erred in requiring proof of secondary meaning for Munters' mark despite its "incontestable" status thereby giving no effect to the mark's incontestable status in the likelihood of confusion analysis. Munters also argued that the District Court erred in ruling that Matsui's above noted uses of the word "HONEYCOMB" were not a trademark use in the Court's consideration of Matsui's "fair use" defense.

On appeal, Munters argued, *inter alia*, that the offensive/defensive differentiation made by the District Court with respect to Munters' incontestable trademark was settled and eliminated by this Court in its decision in *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, at 196; 105 S. Ct. 658 at 662 (1985). Munters also argued that the District Court's decision with respect to the effect of incontestability in a likelihood of confusion determination was in direct conflict with the decisions of the Courts of Appeals in at least the Sixth and Eleventh Circuits in *Wynn Oil Co. v. Thomas*, 839 F.2d 1183, 1187 (6th Cir. 1988) and *Dieter v. B&H Industries of Southwest Florida, Inc.*, 880 F.2d 322 (11th Cir. 1989).

The Seventh Circuit affirmed the decision of the District Court that no effect be given to the incontestability of a mark in the likelihood of confusion analysis. Without expressly citing the conflicting Sixth and Eleventh Circuit decisions the Court of Appeals stated "[t]he most that can be said by critics is that this Court's practice of including a strength of the mark component in its likelihood of confusion analysis is a practice that is, itself, likely to cause confusion." A-4. In effect, the Seventh Circuit found that a party could defend against the effect of federal registration on grounds not included in §1115(b) and that Munters'

mark, although not susceptible to cancellation as being merely descriptive, was merely descriptive and therefore not sufficient to support injunctive relief.

The Court of Appeals also affirmed the District Court's decision with respect to "fair use."

REASONS FOR ALLOWING THE WRIT

Introduction

The Seventh Circuit opinion in this case should be reviewed on a writ of certiorari by this Court because it is in direct conflict with other circuits and because it is based on a faulty interpretation and application of federal trademark laws.

The Lanham Act provisions at the heart of this appeal involve the status and effect of incontestability. Under 15 U.S.C. §1065 (Section 15 of the Lanham Act) a federal registered trademark becomes incontestable under certain conditions. The mark must not be the subject of a final, adverse decision as to its ownership or registration, nor may such a proceeding be pending. §1065(1) and (2). To achieve incontestability the registrant must file an affidavit testifying that the conditions in subsections (1) and (2) have been met, and that the mark has been used continuously in commerce for five years. §1065(3).

As noted above, Munters complied with the prerequisites for incontestability and the status was granted. Consequently, it became entitled to the Lanham Act protection provided in §1115(b), which states in pertinent part that "the registration shall be *conclusive* evidence of registrant's *exclusive right* to use the registered mark in

commerce" (emphasis supplied), subject to the seven defenses set out in §1115(b).

The Writ Of Certiorari Should Be Allowed To Resolve A Direct Conflict Among The Circuits

The Seventh Circuit ruled in the instant case that Section 1115(b) of the Lanham Act has no bearing on the determination of likelihood of confusion and thus that it provides no offensive basis for a registrant with an incontestable mark to enjoin the use of an infringing mark. In essence, the Court's ruling means that an accused infringer can defend against the effect of a federal registration as if the mark in question were not incontestable - indeed as if it were not registered at all. Thus, the District Court and the Court of Appeals allowed Matsui to argue that the mark at issue was merely descriptive. They both then found the mark to be merely descriptive without secondary meaning and defeated Munters' effort to protect the mark.

The effect of the Court of Appeals' decision is to continue to treat incontestability of trademarks as a "defensive" issue (*i.e.*, a shield against an attack of invalidity), while refusing to give them "offensive" effect as having "strength" when considering the issue of infringement. This offensive/defensive distinction is contrary to this Court's decision in *Park 'N Fly*, and is contrary to the decisions of several Circuit Courts of Appeals which have considered this issue since *Park 'N Fly*.

A trademark either does or does not have secondary meaning. It is inconsistent and contrary to law for the Courts below to say that 1) for one purpose (validity) Munters' mark is conclusively presumed to be non-descriptive, or to have secondary meaning (A-17) and, 2) for an-

other purpose (likelihood of confusion) it is "merely descriptive" (A-21) or "descriptive" and "not bolstered by any secondary meaning" (A-22).

The offensive/defensive differentiation made below with respect to Munters' incontestable trademark was settled and eliminated by this Court in 1985:

> One searches the language of the Lanham Act in vain to find any support for the offensive/defensive distinction applied by the Court of Appeals. The Statute nowhere distinguishes between a registrant's offensive and defensive use of an incontestable mark. On the contrary, §33(b)'s declaration that the registrant has an exclusive right to use the mark indicates that incontestable status may be used to enjoin infringement by others. A conclusion that such infringement cannot be enjoined renders meaningless the "exclusive right" recognized by the statute. Moreover, the language in three of the defenses enumerated in §33(b) clearly contemplated the use of incontestability in infringement actions by plaintiffs. See §§33(b) (4)-(6), 15 U.S.C. §1115(b) (4)-(6).

Park 'N Fly, Inc. v. Dollar Park & Fly, Inc., 469 U.S. 189, 196; 105 S. Ct. 658, 662 (1985).

Furthermore, this Court went on to hold that "a conclusion that incontestable status can provide the basis for enforcement of the registrant's exclusive right to use a trade or service mark promotes the goals of the statute." *Park 'N Fly, supra*, 469 U.S. at 663.

Following the *Park 'N Fly* decision several Circuit Courts of Appeals have considered the question of the relative strength to be accorded incontestable marks in determining likelihood of confusion in an infringement action.

In *Wynn Oil Co. v. Thomas*, 839 F.2d 1183, 1187 (1988), the Sixth Circuit Court of Appeals in discussing the issue of "Strength of Mark", reversed the District Court on the issue of likelihood of confusion, and stated:

> Yet in spite of the mark's incontestability, the District Court reasoned that CLASSIC is a merely descriptive term and therefore a weak mark deserving "little if any protection"... Permitting Thomas to relitigate the original strength or weakness of the mark was afoul of *Park 'N Fly's* requirement the courts give full effect to incontestable trademarks. Therefore, while the strength of plaintiff's mark will still be at issue in cases involving contestable marks, once a mark has been registered for five years the mark must be considered strong and worthy of full protection.

In *Clamp Manufacturing Company, Inc. v. Enco Manufacturing*, 870 F.2d 512, 513 (1989), when analyzing likelihood of confusion, the Ninth Circuit Court of Appeals held:

> Because the Kant-Twist mark is incontestable Enco may not defend against an infringement action on the basis that the mark is merely descriptive.[6]

In *Beer Nuts, Inc. v. Clover Club Foods Company*, 805 F.2d 920, 924 (1986) the Tenth Circuit, when considering the likelihood of confusion between the incontestable mark "Beer Nuts" versus the mark "Brew Nuts" held:

> Once a mark has become incontestable, its registration constitutes "conclusive evidence" of the holders' rights to use the mark [footnote omitted]... An "incontestable" mark cannot be challenged as lacking secondary meaning; such marks are conclusively presumed to be nondescriptive or to have acquired secondary meaning [citing *Park 'N Fly* and *Union Carbide*]...
>
> ...Thus, even if the words BEER NUTS can be considered descriptive of the product the BEER NUTS mark is presumed to have secondary meaning; the mark identifies to consumers the source of the product. It cannot now be challenged as descriptive...

In *Beer Nuts* the District Court, like the District Court in this case, engaged in a lengthy analysis of whether the marks identified the source or use of the products. There, like here,

> [T]hat inquiry was inappropriate because the legal status of the marks had already been determined.

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[6] The case involved the mark "Kant-Twist" versus the mark "No-Twist."

> This failure to base its analysis on the proper legal standard regarding the scope of protection afforded the BEER NUTS mark led the district court to reach erroneous factual conclusions regarding likelihood of confusion. 805 F.2d at 925

The most recent Circuit Court decision on this issue is believed to be *Dieter v. B&H Industries of Southwest Florida, Inc.*, 880 F.2d 322 (11th Cir. 1989) which held that

> incontestable status is a factor to be taken into consideration in a likelihood of confusion analysis. Because Dieter's mark is incontestable, then it is presumed to be at least descriptive with secondary meaning and therefore a relatively strong mark. Accordingly, the district court's conclusion that Dieter's mark was merely descriptive and not entitled to strong protection is REVERSED and the action is REMANDED... [7]

As the Solicitor General notes in the *amicus curiae* brief submitted by the United States in connection with the petition for certiorari in *B&H Industries of Southwest Florida, Inc. v. Richard H. Dieter et al.*, No. 89-1193, now before this Court, the question of the level of strength to be accorded incontestable trademarks in a likelihood of

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[7] The *Dieter* case expressly declined to follow the decision of *Source Services Corp. v. Chicagoland Jobsource, Inc.*, 643 F. Supp. 1523 (N.D.Ill 1986) which was relied on by the District Court in the present case for its ruling, affirmed by the Seventh Circuit, that incontestability does not settle the issue of strength of a mark in a likelihood of confusion analysis.

confusion analysis has divided the Circuit Courts of Appeals as demonstrated by this case, *Wynn Oil*, and *Dieter*. Thus the Solicitor General has recommended further review of this issue by this Court.

Viewed against this background, it is essential that the clear conflict among the Circuits be resolved by this Court.[8] This is particularly so in view of the national character of businesses protected by the Lanham Act.

The direct conflict among the Circuits with regard to incontestability should be resolved by this Court because the conflict, and the decision below, frustrates the purpose of the Lanham Act and creates intolerable inconsistencies in the conduct of business by those subject to federal trademark protection.

The Seventh Circuit's Interpretation Of The Incontestability Provision Of The Lanham Act Is An Incorrect Application Of Federal Law

In addition to the grounds argued above, this Court should grant certiorari in this action to correct the Seventh Circuit's incorrect interpretation and application of federal law.

In passing the Lanham Act Congress intended "to unify trademark law on a national basis." *Union Carbide Corp. v. Ever-Ready, Inc.*, *supra*, 531 F.2d 366, 376 (7th Cir.) *cert. denied*, 429 U.S. 830 (1976). Moreover, its purpose

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[8] This conflict in the Circuits has also been noted by at least one professional journal reporting on the Seventh Circuit decision in this case. *Patent, Trademark & Copyright Journal*, BNA, Vol. 40, No. 993, pp. 326-327.

included the provision of substantive as well as procedural protection. The Senate Committee Report on the Act describes the purpose this way:

> There can be no doubt under the recent decisions of the Supreme Court of the constitutionality of a national act giving substantive as distinguished from merely procedural rights in trade-marks in commerce over which Congress has plenary power...a sound public policy requires that trade-marks should receive nationally the greatest protection that can be given. Sen. Rep. No. 1333, 79th Cong., 2d Sess. (1946), U.S. Code Cong. Serv. 1946, p. 1277.

Union Carbide v. Ever-Ready, *supra*, 531 F.2d at 376.

As provided by this legislative history of the Lanham Act, the Act is the effort of Congress to make a uniform federal law of trademarks. The opinion below threatens this uniformity with the defensive/offensive dichotomy and the allowance of extra-statutory defenses to infringement actions based on incontestable marks.

In enacting §1115(b) of the Lanham Act, Congress provided that a registrant had the exclusive right to use its registered mark once that mark had become incontestable within the meaning of §1065. Congress then limited the defenses which may be mounted against an incontestable mark to the seven defenses enumerated in §1115(b). Nothing in the statute states or even implies that a registrant has an exclusive right *only to defend* the validity of its mark through the use of its incontestability status. As described above, the Seventh Circuit has judicially engrafted a contrary interpretation onto the Lanham Act. As a result of that

decision, a registrant would be deprived of the right to use its incontestable mark exclusively even though the Lanham Act provides for such exclusive use.

As this Court stated in *Park 'N Fly v. Dollar Park and Fly, Inc.*, *supra*, 469 U.S. at 194,

> Statutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning of that language accurately expresses the legislative purpose.

Thus, if the statutory language is unambiguous, in the absence of "a clearly expressed legislative intent to the contrary, that language must ordinarily be regarded as conclusive." *Consumer Product Safety Commission v. GTE Sylvania, Inc.*, 447 U.S. 102, 108, 100 S. Ct. 2051, 2056 (1980). *See, also, United States v. Turkette*, 452 U.S. 576, 101 S. Ct. 2524 (1981).

In the present case, the interpretation and application of 15 U.S.C. §1115(b) adopted by the Seventh Circuit engrafts on the statute a defense to infringement of an incontestable mark the fact that the mark is descriptive, but no such defense is enumerated among the defenses stated in plain and clear language by Congress in the statute. In fact, this Court has noted that the very defense which the Seventh Circuit's decision engrafts on the statute was considered by Congress and not adopted. *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, *supra*, 469 U.S. at 201 citing Hearings on S. 895 before the Subcommittee of the Senate Committee on Patents, 77th Cong., 2d Sess., 42, 45, 47 (1942). "Instead, Congress expressly provided in §§33(b) and 15 [15 U.S.C. §§1115(b) and 1065] that an incontestable

mark could be challenged on specific grounds, and the grounds identified by Congress do not include mere descriptiveness." *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, *supra*, 469 U.S. at 201. Moreover, there simply is no indication that Congress intended to establish any further defenses than the seven listed in §1115(b) with which to defend an infringement action. *See, e.g., Soweco, Inc. v. Shell Oil Co.*, *supra*, 617 F.2d 1178 (5th Cir. 1980); *Union Carbide Corp. v. Ever-Ready, Inc.*, *supra*, 531 F.2d 366 (7th Cir. 1976); *John R. Thompson Co. v. Holloway*, 366 F.2d 198 (5th Cir. 1966).

By interpreting the Lanham Act in a way which engrafts such a limitation on the incontestability rights of a trademark owner the Seventh Circuit adopts an interpretation that is contrary to the plain language of the statute, threatens the integrity of federal trademark law, and dilutes the rights of registrants thereunder.

This Court should correct the error.

The Seventh Circuit's Interpretation Of The "Fair Use" Provision Of The Lanham Act Is An Incorrect Application Of Federal Law

In adopting the Lanham Act, Congress saw fit to insure that the incontestable status granted a descriptive mark under the statute does not allow a registrant to withdraw the word from the English language. Thus Congress provided in the Lanham Act, at 15 U.S.C. §1115(b)(4), for the "fair use" of such descriptive words, despite their incontestable status. By that provision, a junior user of a mark is entitled to use a descriptive English word in good faith in its primary descriptive sense. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976).

The District Court here concluded that Matsui is entitled to a "fair use" defense under 15 U.S.C. §1115(b)(4) because Matsui uses "HONEYCOMB" merely to describe its desiccant wheel and not as a trademark. That decision was affirmed without comment by the Seventh Circuit. Both of these conclusions are demonstrably wrong.

As noted above, Matsui used the mark "HONEY-COMB" in several ways *(supra,* p. 14)

First, as appears from Example 2a above (p. 14), that use is not "merely to describe its desiccant wheel" but refers to Matsui's entire dehumidification system. Thus, the District Court's finding to the contrary (A-30) was clearly erroneous and should have been reversed by the Court of Appeals.

Secondly, the uses in Examples 1 and 2b (p. 14) constitute repetitive, capitalized uses which serve 1) to emphasize the word, 2) to call attention to it, 3) to create an association in the public mind relating to Matsui's "rotor" with Matsui, 4) to create the idea in the mind of the public that Matsui was the source of dehumidifier equipment that had a unique rotor known as the "HONEYCOMB" rotor, 5) to create a demand by the public for Matsui dehumidifiers that used or included a "HONEYCOMB ROTOR", 6) to convey to the consumer that Matsui's product was desirable to have and 7) to create commercial magnetism by use of the mark as an easy symbol for the consumer to remember.

These are all "attention-getting" indicia of trademark use, not descriptive use.[9]

Before the Lanham Act provided an express definition of a trademark, this Court, in a famous passage by Justice Frankfurter, in *Mishawaka Rubber & Woolen Manufacturing Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942), defined it as follows:

> The protection of trademarks is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is not less true that we purchase goods by them. A trademark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same - to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trademark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress.

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[9] *Cf., Mobil Oil Corp. v. Mobile Mechanics, Inc.*, 192 U.S.P.Q. 744 (D. Conn. 1976) wherein the use of MOBILE MECHANICS was not a "fair use" of plaintiff's mark MOBIL.

The "aim" of a trademark defined by Justice Frankfurter is precisely the same attention-getting "aim" by Matsui in using "HONEYCOMB" in its ads. However, the District Court below concluded (A-30) that such use was not a use "as a trademark" and that conclusion was affirmed by the Seventh Circuit.

This Court has not previously addressed the interpretation of the "fair use" provision of the Lanham Act 15 U.S.C. §1115(b)(4). More specifically it has not instructed the Circuits as to the parameters of the phrase "is a use, otherwise than as a mark" in that section of the statute.

The question of what is or is not a "mark" would seem to have been answered directly by the Lanham Act itself in 15 U.S.C. §1127 which states:

> The term "trademark" includes any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify and distinguish his goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

However, the Seventh Circuit by affirming the District Court below does not follow this plain language definition in the application of the "fair use" defense of 15 U.S.C. §1115(b)(4). The District Court, and by its affirmance the Seventh Circuit, held that Matsui's uses of Examples 1, 2a and 2b above, p. 14, were not trademark uses yet those uses appear - on their face - to be the use of a word to identify and distinguish Matsui's product from those of others, i.e. precisely the kinds of uses encompassed within the statutory

definition of a "trademark." While the District Court held (A-30) that "HONEYCOMB" in these uses does not identify or distinguish Matsui's product, the issue as framed by the plain language of this section of the statute is whether the word is *used* for that purpose - not whether the purpose of the use has been successfully acomplished.[10] Thus the interpretation and application of the statute in this regard by the Courts below was contrary to the plain meaning of the statutory language.

While the determination of what is or is not "fair use" of an incontestable descriptive mark has been considered by various Circuits, the decisions are *sui generis* and provide no firm guidance as to how this section of the statute is to be interpreted or applied.

For example, in *Venetianaire Corp.v. A&P Import Co.*, 429 F.2d 1079 (2d Cir. 1970), the Court held that the prominent use of plaintiff's registered trademark "Hygienic" as a purported description on the packaging of the defendant's mattress covers was not "fair use." *Id.* at 1081.

In the Seventh Circuit, in *Snap-On Tools Corp. v. Winkenweder & Ladd, Inc.*, 150 F. Supp. 792 (N.D. Ill., 1956) *aff'd*, 250 F.2d 154 (7th Cir. 1957) it was held that the trademark "Snap-On" was demonstrated as having acquired a secondary meaning for tools and cabinets and defendant's use of "Snap-On Drawer" was enjoined. Yet in the present case Matsui's use of "HONEYCOMB ROTOR," a use

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[10] Munters acknowledged below that but for Matsui's unclean hands Matsui's use of honeycomb in a descriptive sentence as in Example 2c (p. 14) would qualify as a "fair use."

essentially identical to Munters' use of "HONEYCOMBE WHEEL," was deemed a fair use. This is despite the fact that in a similar situation involving the mark "Chocolate Fudge" the Seventh Circuit held that where a defendant's use was exactly the type of use the trademark owner was attempting to protect, it could "only conclude that it must be a clear infringement" and stated, "if this isn't infringement what is." *A.J. Canfield Co. v. Vess Beverages*, 796 F.2d 903, 908 (7th Cir. 1986).

In view of this background and the failure of both the District Court and the Seventh Circuit to apply the statutory definition of a trademark in deciding the fair use issue - and since this Court has not decided this important question of federal law - this Court should review the decision below on the fair use issue in conjunction with its review of the effect of "incontestability" under the Lanham Act. In doing so the Court should establish clear guidelines for the application of the "fair use" defense and correct the error made below.

CONCLUSION

For the foregoing reasons, petitioner respectfully requests that this Court grant the Writ of Certiorari.

Respectfully submitted,

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DATED: October 4, 1990

APPENDIX

In the
United States Court of Appeals
For the Seventh Circuit

Nos. 89-3553 and 89-3646

MUNTERS CORPORATION,

Plaintiff-Appellant,
Cross-Appellee,

v.

MATSUI AMERICA, INCORPORATED,

Defendant-Appellee,
Cross-Appellant.

Appeal from the United States District Court
for the Northern District of Illinois, Eastern Division.
No. 89 C 3782—**James B. Zagel**, *Judge.*

ARGUED JUNE 13, 1990—DECIDED AUGUST 2, 1990

Before CUMMINGS, COFFEY and RIPPLE, *Circuit Judges.*

PER CURIAM. Plaintiff, the Munters Corporation ("Munters"), manufactures and sells industrial and environmental control devices including a dehumidifying apparatus. Defendant Matsui America, Incorporated ("Matsui") is a wholly owned subsidiary of a Japanese corporation. Matsui manufactures and distributes equipment for the plastics industry in the United States, including dehumidifiers for drying plastic resins.

In May 1989, Munters filed a suit against Matsui for trademark infringement and unfair competition. The complaint showed that Munters, through a subsidiary, had registered the trademark "HONEYCOMBE" and used that trademark on its space dehumidifying apparatus containing a honeycomb-shaped desiccant wheel rotor.

In the fall of 1987, Munters learned that Matsui was selling a "Honeycomb Dehumidifying Unit," which also contained a honeycomb-shaped desiccant wheel rotor. This caused counsel for Munters to advise Matsui to stop using "Honeycomb" in connection with its dehumidifiers. As a result, Matsui allegedly agreed to discontinue the use of that term as a trademark in its advertising materials. After its stock of brochures was exhausted, Matsui continued to use the word honeycomb, but only as an adjective to describe its rotor.

Besides charging Matsui with infringement of its registered trademark, Munters' complaint contained seven other counts not involved on this appeal. In its answer, Matsui denied continuing the use of the word honeycomb as a trademark in connection with its dehumidifiers and claimed that its products were sold through different channels of distribution to different classes of customers and for different purposes.

In June 1989, the district court granted a preliminary injunction restraining Matsui from infringing on Munters' trademark "HONEYCOMBE" in connection with the sale of its dehumidifiers. However, after holding an August 1989 hearing to determine whether Munters was entitled to a permanent injunction, the district court determined on October 25, 1989, that the injunction was not warranted. The court's judgment was accompanied by a comprehensive 13-page memorandum opinion reported at 703 F.Supp. 790. We agree with Judge Zagel's reasoning and therefore hold that a permanent injunction was properly denied.

Only one issue merits elaboration. Munters has argued that the district court's analysis of the strength of its mark is in derogation of the Supreme Court's holding in

Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., 469 U.S. 189. *Park 'N Fly* holds that an alleged infringement of an incontestable trademark cannot be defended on the ground that the complainant's mark is merely descriptive. A bit of background is necessary to an understanding of Munters' argument.

In order to prevail in an action under Section 43(a) of the Lanham Act, a complainant must show that it has a protectible trademark and that the alleged infringer's use of that trademark is likely to cause confusion among consumers. *The Forum Corporation of North America v. The Forum, Ltd.*, 903 F.2d 434, 439 (7th Cir. 1990); *International Kennel Club v. Mighty Star, Inc.*, 846 F. 2d 1079, 1084 (7th Cir. 1988). Most often an analysis of the strength of the complainant's mark is undertaken to determine whether an unregistered trademark is protectible. See, *e.g., G. Heileman Brewing Co. v. Anheuser-Busch, Inc.*, 873 F.2d 985 (7th Cir. 1989). Here Munters' "HONEYCOMBE" trademark was registered. The district court accordingly found that it was protectible and, because it had been in continuous use for more than five years following its registration, incontestable. Nevertheless, the district court undertook a strength of the mark analysis in evaluating whether Matsui's use of Munters' mark was likely to cause confusion. This is correct practice in the Seventh Circuit, since strength of the mark is one of the factors in this Circuit for evaluating likelihood of confusion. See, *e.g., McGraw-Edison Co. v. Walt Disney Productions*, 787 F.2d 1163 (7th Cir. 1986) (applying seven factors including strength of the mark). Some other circuits do not include this factor in their likelihood of confusion analysis. See, *e.g., Clamp Manufacturing Co., Inc. v. Enco Manufacturing Co., Inc.*, 870 F.2d 512, 517 (9th Cir. 1989) (strength of mark not among listed factors), certiorari denied, 110 S.Ct. 202; *Beer Nuts, Inc. v. Clover Club Foods Co.*, 805 F.2d 920, 925 (10th Cir. 1986) (same). Munters has argued that since a strength of the mark analysis includes a discussion of whether the mark is merely descriptive, the district court's discussion of the strength

of Munters' mark disregarded the Supreme Court's holding in *Park 'N Fly* that an incontestable mark cannot be challenged on the grounds that it is merely descriptive.

This argument is unpersuasive. The most that can be said by critics is that this Circuit's practice of including a strength of the mark component in its likelihood of confusion analysis is a practice that is, itself, likely to cause confusion. We conclude, however, that it is Munters, and not the district court, that is confused in this case. The district court explicitly noted that Matsui's argument that Munters' mark was merely descriptive was not intended to demonstrate that Munters' mark was not protectible but rather was advanced solely to bolster Matsui's claim that there was no likelihood of confusion. 730 F. Supp. at 795-796. The Supreme Court's holding in *Park 'N Fly* does not address likelihood of confusion. In fact the Court specifically directed the district court to consider the likelihood of confusion argument on remand. 469 U.S. at 205. Therefore *Park 'N Fly* does not preclude consideration of a mark's strength for purposes of determining the likelihood of confusion.

The district court's findings as to likelihood of confusion are findings of fact subject to the clearly erroneous standard of review. *The Forum Corporation*, 903 F.2d at 438; *Henri's Food Products Co., Inc. v. Kraft, Inc.*, 717 F.2d 352, 354 (7th Cir. 1983). We agree with the district court that Matsui's present use of the word honeycomb is not likely to cause confusion among current or potential purchasers of Matsui's and Munters' products.

After denying Munters' motion for a permanent injunction, the district court denied Matsui's motion to amend its answer and counterclaim to challenge the registration status of Munters' trademark on the ground that "HONEYCOMBE" was a generic term that could not become a trademark. As Judge Zagel explained, the mark does not denominate a type of goods nor classify the noun "dehumidifier" or "wheel" to which it is attached by Munters. Instead the term describes the porous configuration of the goods and

not a subcategory of wheel or dehumidifier. See 730 F. Supp. at 796. Furthermore, as Matsui admits in its reply brief, the district court gave Matsui the opportunity at trial to present evidence that Munters' mark was generic. Reply Brief at 3, 4. More was not required.

The judgment of the district court is affirmed. Matsui's motion for sanctions under Rule 38 of the Federal Rules of Appellate Procedure is denied.

A true Copy:

Teste:

Clerk of the United States Court of Appeals for the Seventh Circuit

USCA 79004—Midwest Law Printing Co., Inc., Chicago—8-2-90—500

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

THE MUNTERS CORPORATION	)
	)
Plaintiff,	)
	)
v.	) No. 89 C 3782
	)
MATSUI AMERICA, INCORPORATED,	) HON.
	) JAMES B. ZAGEL
	)
Defendant.	)

MEMORANDUM OPINION AND ORDER

I. INTRODUCTION

In this action the plaintiff, The Munters Corporation ("Munters") has brought suit charging the defendant, Matsui America, Inc. ("Matsui") with: 1) infringement of the plaintiff's registered trademark under sec. 32(1) of the Trademark Act of 1946 ("Lanham Act"), 15 U.S.C. sec. 1114(1); 2) use of a false designation of origin under sec. 43(a) of the Lanham Act, 15 U.S.C. sec. 1125(a); 3) common law trademark infringement; 4) violation of the Illinois Uniform Deceptive Trade Practice Act; 5) violation of the Illinois Consumer Fraud and Deceptive Business Practices Act; 6) trademark dilution under the Illinois Anti-Dilution statute; 7) common law unfair competition; and 8) breach

of contract. The defendant filed a counterclaim alleging that it had not violated any rights of plaintiff. The defendant also filed a motion to amend its counterclaim in order to seek cancellation of the plaintiff's trademark registration.

On June 29, 1989, we granted the plaintiff's motion for preliminary injunction. On August 31, 1989, this Court held a hearing to determine whether the plaintiff was entitled to a permanent injunction. For the following reasons, the plaintiff's motion is denied.

II. FACTS

The plaintiff, Munters, is a Delaware corporation with its headquarters in Florida. Munters operates a division, Cargocarie Engineering Corporation ("Cargocaire"), located in Massachusetts. Cargocaire was originally a separate and independent company that Munters' parent company, Carl Munters AB of Sweden, acquired in 1978. In November 1987, Munters and Cargocaire merged. Munters, through Cargocaire, manufactures and sells industrial environmental control apparatus, such as heating, ventilation,and cooling equipment, including a dehumidifyng apparatus. Munters' products are general purpose dehumidifiers, and no single model is designed specifically for the plastics industry. However, Munters' dryers have been used in the plastics industry, primarily in the drying of plastics molds and the drying of mold rooms. All Munters' dehumidifying apparatus contain a wheel rotor, which is a porous, extended-surface cylinder composed of desiccant material. The desiccant absorbs moisture in air passed through the channels formed in the rotor, as the wheel slowly rotates.

The defendant, Matsui, is a wholly-owned subsidiary of Matsui Manufacturing Company, Ltd. ("Matsui Mfg."), a Japanese corporation. Matsui is an Illinois corporation with its headquarters in Elk Grove Village, Illinois. Matsui manufactures and distributes equipment exclusively for the plastics industry in the United States, including pneumatic conveyors, hopper loaders, hot air hopper dryers and dehumidifiers, mold temperature controllers, mold chillers, and material mixers and blenders. Plastics manufacturers use Matsui's dehumidifying equipment prior to processing to dry hydroscopic resin material stored in a hopper. Before the manufacturer melts and injects the plastic resin material into the molding press, Matsui's dehumidifier dries the plastic granules. Matsui's equipment contains a desiccant wheel composed of ceramic paper whose purpose is similar to the rotor in Munters' space dehumidifier. Unlike Munters' equipment, Matsui does not design any of its equipment for space dehumidification. Rather, Matsui's dehumidifier has a specific application: drying plastic resin. On the other hand, Munters does not manufacture or distribute a dehumidifying dryer for drying plastic resin. We find that Munters' and Matsui's respective dehumidifiers are not interchangeable and are not competitive for the purpose of plastic resin drying.

A typical plastic injection molding facility consists of large storage silos at the plant that the manfuacturer fills with the plastic resins prior to processing. A pneumatic conveying device transports the plastic resin from trucks and rail cars into the silos. From the silos, the resin proceeds to indoor storage tanks and then to mixers, where other materials may be added to the resin. If then required, a dryer removes any moisture from the resin. The resin is

then conveyed to the injection molding machines, where the resin is readied for injection into the molds. Matsui distributes the storage silos, storage tanks, and the plastic resins conveying drying and mixing equipment. Munters does not manufacture or distribute any of the products distributed by Matsui.

Munters received a trademark registration of "HoneyCombe" for a "dehumidifying apparatus" on October 10, 1961 and renewed its registration by October 10, 1981. Munters' position is that the trademark applies to both its dehumidifier ("HoneyCombe dehumidifier") and to its desiccant wheels ("HoneyCombe wheels or rotors"). Munters places "HoneyCombe" on all its products that contain, and all its advertising literature that promote, the desiccant wheel. Munters also displays the "Cargocaire" or "Munters" name and logo on all its advertising literature.

Prior to an agreement signed in May 1988 by Munters and Matsui, Matsui referred to its plastic resin dehumidifier as the "Honeycomb DMZ Dehume Jet Dryer." Pursuant to its understanding of the agreement, Matsui ceased referring to its plastic resin dehumidifier as "Honeycomb" in its promotional literature. However, Matsui continued to describe the desiccant wheel within its resin dehumidifier as honeycomb-shaped.

Munters' dehumidifiers range in price from $1,695 to almost $150,000. Matsui's resin dryers range in price from $5,000 to $50,000. The majority of Matsui's sales are of systems of more than one component. Both Munters and Matsui market their products through independent sales representatives. The evidence demonstrates that Matsui and Munters have no sales representatives in common. In

addition, Munters' sales representatives sell to general contractors, and Matsui's sales representatives sell directly to buyers with technical backgrounds. We flatly reject plaintiff's suggested inference that because general contractors are "nontechnical people" they are unsophisticated buyers. As Matsui demonstrates, and Munters' director of Technology concedes, a buyer either will need a technical background or will need the assistance of someone with a technical background to understand the technical advertising literature in which Matsui describes its desiccant wheel as honeycomb-shaped and from which this lawsuit arose. The conclusion is inevitable that either a technically sophisticated purchaser, or at least a technically sophisticated assistant, will review Matsui's advertisements.

One of the plaintiff's witnesses noted that approximately 75,000 plastic-molding machines are spread among some 10,000 to 15,000 plastic molding plants in the United States. Of these plants, Munters could point to only one that contained both a Matsui plastic resin dryer and a Munters space dehumidifier.

Matsui has four main competitors: 1) Conair, Franklin Group; 2) AEC-Whitlock; 3) Universal Dynamics; and 4) Pacific Engineering, Novatec. These four competitors all carry the same product lines as Matsui, including resin dryers. Matsui and most of its competitors belong to the Society of Plastics Industry (SPI), an organization that promotes the use of plastics among consumers in the United States. The main requirement for membership is that a member must sell plastic machinery or materials or be a processor of plastic in the United States. Munters is not a member of SPI. In fact, Munters' Director of Technology stated that he did not know what the SPI was.

Matsui promotes its products through its sales representatives, through magazine advertisements, and through regional and national trade shows that it attends. Matsui has placed advertisements in three out of four of the major publications in the plastics industry and presents exhibits at national and regional trade shows.

Munters primarily directs its advertising to the heating and ventilation industry, a distinct industry from the plastics processing equipment industry. Munters advertises "HoneyCombe" products in various trade journals. However, Munters limits its promotion in the plastics industry to distribution of an application note, which explains how to prevent sweat on a chilled mold. Uncontroverted evidence shows that until December 9, 1987 Matsui had never heard of Munters or Cargocaire and was not aware that "HoneyCombe" was a registered trademark. By letter dated December 7, 1987 Munters' counsel advised Matsui of Munters' objection to Matsui's trademark use of "Honeycomb." The letter demanded that Matsui "cease and desist from all further uses of the term HONEYCOMB." After a period of negotiations, Mr. G. Gondoh, Matsui's Vice President, signed a May 26, 1988 letter from Munters' attorneys with the legend: "Subject to the terms of the May 2, 1988 letter, Matsui America, Inc. agrees that it will no longer use 'HONEYCOMB' as a trademark after November 1, 1988." In the referenced May 2, 1988 letter, Matsui's counsel proposed that:

> without any waiver of rights which MATSUI AMERICA, INC. has to use the subject words generally ... MATSUI AMERICA, INC. is willing to discontinue the use of the word HONEYCOMB in its advertising materials ....

Pursuant to the May 1988 agreement, Matsui changed the name of its resin dryer from "Honeycomb DMZ Dehume Jet Dehumidifying Hot Air Dryer" to "DMZ Dehume Jet Dehumidifying Hot Air Dryer", removed the word "Honeycomb" from its products, and depleted its supply of product brochures for the "Honeycomb DMZ Dehume Jet Dehumidifying Hot Air Dryer." Matsui continued to use the word "honeycomb" as an adjective to describe its rotor in its advertising literature.

The most common definition of "honeycomb" is "a mass of hexagonal prismatic wax cells ... built by honeybees in their nest or hive to contain their brood and stores of honey." Webster's Third New Int'l Dictionary. As a noun, "honeycomb" is also "something that resembles a honeycomb in structure or appearance", id., such as "a weave with a small allover pattern of raised squares, oblongs, or diamonds." Id. As a transitive verb, "honeycomb" means "to cause to be full of cavities like a honeycomb [; to] make into a tissue of holes separated by thin walls or partitions." Id. "Honeycomb" may also be used as an adjective, such as in "honeycomb coral" and "honeycomb sponge." Id. Cargocaire, in fact, used the word "honeycomb" in its book, "The Dehumidification Handbook", to describe the appearance of its desiccant wheel: "The rotary "HoneyCombe unit functions in the same fashion as the rotary bed dehumidifier except that an absorbent (usually lithium chloride) is used, and the desiccant is impregnated into a honeycomb structure mounted within a cylindrical casing."

Munters presented no evidence of actual confusion on the part of Munters' customers or potential customers. Munters has not received any misdirected mail that was intended for Matsui and came to Cargocaire or Munters.

Munters has never received a telephone call inquiry indicating confusion from a customer regarding the source of Munters' or Matsui's honeycomb rotor. Also, Matsui has not received any misdirected mail that was addressed to Cargocaire or any telephone inquiries indicating any type of confusion.

III. DISCUSSION

This court has subject matter jurisdiction of the complaint and the counterclaim pursuant to 15 U.S.C. secs. 1114, 1116-1119, 1121, and 1125(a), 28 U.S.C. secs. 1331, 1332(a), and 1338(b). This court has personal jurisdiction over the parties. Venue is proper herein under 28 U.S.C. sec. 1391(b) and (c).

A. Trademark Infringement

A cause of federal trademark infringement exists where a person uses 1) any reproduction, counterfeit, copy or colorable imitation of a mark; 2) without the registrant's consent; 3) in commerce; 4) in connection with the sale, offering for sale, distribution or advertising of any goods; 5) where such use is likely to cause confusion, or to cause mistake or to deceive. Lanham Act sec. 32(1) (15 U.S.C. sec. 1114(1)). See James Burrough Ltd. v. Sign of Beefeater, Inc., 540 F.2d 266, 273-74 (7th Cir. 1976).

A cause of action under sec. 43(a) of the Lanham Act exists in the following situation:

> Any person who shall affix, apply, or annex, or use in connection with any goods or services ... a false designation of origin, or any false description or representation including words or other symbols

> tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce ... shall be liable to a civil action ... by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

15 U.S.C. sec. 1125(a).

1. Likelihood of Confusion

The crucial issue in this unfair competition and trademark infringement action based on secs. 32(1) and 43(a) of the Lanham Act and on common law is the likelihood of confusion on the part of the consuming public. G. Heileman Brewing Co. v. Anheuser-Busch, Inc., 873 F.2d 985, 999 (7th Cir. 1989); Henri's Food Products Co. Inc. v. Kraft, Inc., 717 F.2d 352, 354 (7th Cir. 1983). To determine whether a likelihood of confusion exists, the Seventh Circuit considers a number of factors, including:

1) the similarity of the marks;
2) the distinctiveness (or strength) of the marks in issue;
3) the similarity of the products;
4) the degree of care likely to be exercised by consumers;
5) the similarity of the channels of distribution;
6) the intent of the claimed infringer; and
7) the evidence of actual confusion.

International Kennel Club v. Mighty Star, Inc., 846 F.2d 1079, 1087 (7th Cir. 1988); Ziebart Int'l Corp. v. After Market Assocs., 802 F.2d 220, 226 (7th Cir. 1986); McGraw-Edison Co. v. Walt Disney Productions, 787 F.2d 1163,

1167-68 (7th Cir. 1986); Henri's Food Products, 717 F.2d at 354; Wesley-Jessen Div. of Schering Corp. v. Bausch & Lomb Inc., 698 F.2d 862, 867 (7th Cir. 1983). "None of these factors by itself is dispositive of the likelihood of confusion question, and different factors will weigh more heavily from case to case depending on the particular facts and circumstances involved." International Kennel Club, 846 F.2d at 1087; Schwinn Bicycle Co. v. Ross Bicycles, Inc., 870 F.2d 1176, 1187 n.20 (7th Cir. 1989) ("the importance of any single factor may vary between cases"); McGraw-Edison, 787 F.2d at 1168.[1]

a. The Similarity of the Marks

In considering the similarities and differences between marks, the marks in their entireties must be compared

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1. In Ziebart Int'l, 802 F.2d at 226, the court noted that three factors were more important than the others, in the case before it, in determining the likelihood of confusion issue. The court in G. Heileman Brewing, 873 F.2d 985, relied on the Ziebart Int'l court's fact-specific determination in stating the following broad legal proposition:

> While there are a myriad of variables to be considered in determining whether a likelihood of confusion exists, the most important factors include the similarity of the marks, the intent of the claimed infringers and the evidence of actual confusion.

G. Heileman Brewing, 873 F.2d at 999 (citing Ziebart Int'l).

We note only that the outcome of the case before us is the same whether we weigh the three specified factors in G. Heileman Brewing more heavily than the others, or whether we look at the facts before us in order to determine which factors we will accord more weight.

in light of what occurs in the marketplace, not in the courtroom. James Burrough, 540 F.2d at 275. In the courtroom, "HoneyCombe" and "honeycomb" appear similar: they are identical in sound and derive from the same word, "honeycomb."

However, Munters' mark as used in the marketplace is different from Matsui's use of the word "honeycomb." First, Munters has chosen to misspell the common word "honeycomb" by adding an "e" and presenting it with a capitalized "H" and "C." We are mindful that "it is inappropriate to focus on minor stylistic differences in defendant's use of the allegedly infringing name." International Kennel Club, 846 F.2d at 1088. However, we do not focus solely on the difference between Munters' stylistic spelling of "HoneyCombe" and Matsui's nonstylistic use of "honeycomb." We also take note that Munters presents its mark "HoneyCombe" as a brand name for its dehumidifiers in conjunction with its company name, Munters, and division name, "Cargocaire." By contrast, Matsui does not use "honeycomb" in its brand name, "DMZ Dehume Jet." Matsui only uses the word "honeycomb" in the body of its advertising literature to describe one product: the rotor component. "Prominent display of different names on the marks ... reduce[s] the likelihood of confusion even where ... the marks are otherwise similar." Ziebart Int'l, 802 F.2d at 227; McGraw-Edison, 787 F.2d at 1168 (plaintiff and defendant's "TRON" marks "distinguishable" because manufacturer's name presented with mark).

Based on the evidence before us and considering the marks in light of what occurs in the marketplace, we find that the marks are not sufficiently similar to create a

likelihood of confusion among purchasers as to the source of Matsui's products' origins.

b. The Distinctiveness (or Strength) of Munters' Mark

Munters' trademark "HoneyCombe" is registered and incontestable. The Supreme Court has held that an incontestable mark cannot be invalidated in an infringement suit on the ground that it is merely descriptive. Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., 105 S. Ct. 658, 667 (1985). For purposes of determining a mark's validity, it is conclusively presumed either that the mark is non-descriptive, or if so, has acquired secondary meaning. Union Carbide Corp. v. Ever-Ready Inc., 531 F.2d 366, 377 (7th Cir.), cert. denied, 429 U.S. 830, 97 S. Ct. 91, 50 L.Ed.2d 94 (1976). Matsui does not challenge the validity of Munters' mark by arguing Munters' mark is merely descriptive. Rather, Matsui argues that there is no likelihood of confusion because the mark is merely descriptive. Trademark validity and likelhood of confusion are distinct issues. See Schwinn Bicycle, 8 7 0 F.2d at 1186-87; Union Carbide, 531 F.2d 366. As such, the courts in this Circuit hold that "an incontestability finding in no way concludes the confusion question." Source Services Corp. v. Chicagoland Jobsource, Inc., 643 F. Supp. 1523, 1532 (N.D. Ill. 1986) (Shadur, J.); Source Services Corp. v. Source Telecomputing, 635 F. Supp. 600, 610 (N.D. Ill. 1986) (Rovner, J.) ("the conclusive presumption that the marks [are non-descriptive, or if descriptive,] have secondary meaning established by the statutory incontestability of plaintiff's ... marks does not automatically transfer into a conclusive presumption of strength in a likelihood of confusion analysis"). Thus, Munters' mark's incontestability status does not settle the issue of the strength of "HoneyCombe." The strength issue "depends on the actual market-

place facts and cannot be resolved by resting on incontestability." Chicagoland Jobsource, 643 F. Supp. at 1532 (citing Source Telecomputing, 635 F. Supp. at 610).

The court in G. Heileman Brewing, 873 F.2d at 991, set forth the analysis for assessing the strength of a mark. The court stated that "a term for which trademark protection is claimed generally fits somewhere in the spectrum of classification ranging from (1) generic or common descriptive and (2) merely descriptive to (3) suggestive and (4) arbitrary or fanciful." Id. (citing Miller Brewing Co. v. G. Heileman Brewing Co., 561 F.2d 75, 79 (7th Cir. 1977), cert. denied, 434 U.S. 1025, 98 S. Ct. 751, 54 L.Ed.2d 772 (1978)).

> A generic or common descriptive term is one which is commonly used as the name or description of a kind of goods. It cannot become a trademark under any circumstances....
>
> A merely descriptive term specifically describes a characteristic or ingredient of an article. It can, by acquiring a secondary meaning, i.e., becoming "distinctive of the applicant's goods" (15 U.S.C. sec. 1052(f)), become a valid trademark.
>
> A suggestive term suggests rather than describes an ingredient or characteristic of the goods and requires the observer or listener to use imagination and perception to determine the nature of the goods. Such a term can be protected without proof of a secondary meaning.
>
> An arbitrary or fanciful term enjoys the same full protection as a suggestive term but is far enough removed from the merely descriptive not to be

> vulnerable to possible attack as being merely descriptive rather than suggestive.

Miller Brewing, 561 F.2d at 79.

"HoneyCombe" as applied to Munters' dehumidifier and desiccant wheel is not a generic term. The mark does not "serve to denominate a type, a kind, a genus or a subcategory of goods." Henri's Food Products, 717 F.2d at 1306. "HoneyCombe" is not a word "which in any way serves to classify the noun ["dehumidifier" or "wheel"] to which it is attached." Id. Rather, "HoneyCombe" describes or suggests (see infra) a characteristic--the porous configuration--of the goods. It does not represent a subcategory or kind of wheel or dehumidifier. See A.J. Canfield Co. v. Vess Beverages, Inc., 796 F.2d 903, 906 (7th Cir. 1986). Further, although minor stylistic changes (notably the addition of an "e" at the end of "HoneyCombe") are not determinative, we note that these changes push the word farther from generic status into the realm of trademarks.[2]

"HoneyCombe" also is not fanciful or arbitrary. The dictionary definition of "honeycomb" clearly relates to the porous configuration of Munters' wheel. "HoneyCombe" is not far enough removed from the description of one salient

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2. This court denies defendant's motion to amend its answer and counterclaim, in which Matsui challenges Munters' use of "HoneyCombe" as a valid trademark. Specifically, Matsui contends that "HoneyCombe" is a generic term and as such should no longer be allowed its incontestable status as a registered trademark. For the stated reasons, we believe Munters' trademark is not a generic use of the term with respect to its dehumidifier and, therefore, we believe that its trademark is valid.

feature--the porous configuration--of Munters' dehumidifier that we could classify it as fanciful or arbitrary.

Munters' trademark "HoneyCombe" is registered for "dehumidifying apparatus." Munters considers both its desiccant wheel and its dehumidifier covered by this registration.

The issue then boils down to whether "HoneyCombe" is descriptive or suggestive. A considerable body of law has developed attempting to distinguish merely descriptive marks from suggestive marks. Much of this law is devoted to whether the mark at issue is valid, a question that a court must answer affirmatively before the court tackles the second broad element in trademark infringement cases: whether a likelihood of confusion exists as to the valid mark. See, e.g., G. Heileman Brewing, 873 F.2d at 996-97. In the validity analysis, a suggestive mark is valid per se and entitled to protection against infringement. A descriptive mark is not valid per se and must be accompanied by secondary meaning--an evidentiary demonstration of recognition of the mark's strength--to receive protection. A descriptive mark without secondary meaning is not valid and not entitled to protection against infringement.

Our slightly different purpose here is to determine whether in light of the other digits of the likelihood of confusion test the Munters mark has sufficient strength to create a likelihood of confusion among the relevant consuming class. To that end, this analysis merely determines where along the continuum of mark strength "HoneyCombe" falls.

The strength of "HoneyCombe" is different when applied to Munters' desiccant wheel than when applied to its entire dehumidifier. "HoneyCombe wheel" and "HoneyCombe rotor" specifically and directly describe a characteristic of the desiccant wheel: the wheel's porous configuration. We therefore find that as applied to the desiccant wheel, "HoneyCombe" is merely descriptive. As the Seventh Circuit stated recently: "A suggestive term, as the word implies, suggests rather than describes an ingredient or characteristic of the goods and requires the observer or listener to use imagination and perception to determine the nature of the goods." Id. at 996. A potential purchaser needs no imagination to associate the word "HoneyCombe", which means "a tissue of holes separated by thin walls or partitions", with the rotor's configuration. The court in Union Carbide, 531 F.2d at 379, stated that "generally speaking, if the mark imparts information directly, it is descriptive. If it stands for an idea which requires some operation of the imagination to connect it with the goods, it is suggestive" (quoting A. Seidel, S. Dalroff, and E. Gonda, Trademark Law and Practice sec. 4.06 at 77 (1963); see also M.B.H. Enterprises, Inc. v. WOKY, Inc., 633 F.2d 50 (7th Cir. 1980). Also, the word "honeycomb" is used both inside and outside the plastics industry and dehumidification industry to describe products consisting of multi-cellular configurations of various shapes. Munters' argument that "honeycomb" is not necessary to describe, nor directly describes, Matsui's rotor because the openings are not hexagonal and do not resemble the honeycomb in a beehive is too restrictive a reading of the various dictionary definitions of "honeycomb." Under this test we find that Munters' mark "HoneyCombe", when applied to its desiccant wheel, is descriptive, and thus relatively weak.

A descriptive mark's inherent weakness may be bolstered by showing the relevant purchasing class recognizes the mark as indicating the source of the mark's origin, that is, showing secondary meaning. Munters, however, introduced little extrinsic evidence demonstrating the strength of "HoneyCombe." Rather, Munters relied primarily on its incontestability status. Munters also introduced an undifferentiated mass of information purportedly indicating the amount and nature of advertising of the mark, the length of time the mark has been in use, and the amount of goods sold under the mark. However, as Matsui demonstrated, only a very small proportion of Munters' advertising figures are attributable to advertising its dehumidifier directed at the plastics industry, and only a small number of the demonstrated sales were to the plastics industry. This minimal circumstantial evidence does little to convince us that the relevant buyers are aware of Munters' mark. Again, we emphasize that our inquiry is not as to Munters' mark's validity. Rather, here we only analyze the strength of "HoneyCombe" as applied to Munters' desiccant wheels. As such, Munters' incontestability status is not conclusive as to the secondary meaning issue. We find that Munters has not offered sufficient evidence of recognition of its mark to make a prima facie case of secondary meaning. We therefore conclude that Munters' descriptive mark "HoneyCombe", as applied to its desiccant wheel, is not bolstered by any secondary meaning.

"HoneyCombe" is stronger when applied to the entire dehumidifying unit than when applied to the desiccant wheel. A certain amount of imagination is needed to associate "HoneyCombe" with the dehumidifier itself. Thus the mark as applied is suggestive. Although the desiccant

wheel may fairly be described as honeycomb-shaped, the dehumidifier's only relationship to "honeycomb" is the configuration of the wheel. This is not to say Munters' use of "HoneyCombe" in connection with the dehumidifier is arbitrary or fanciful. Rather the mark suggests a characteristic of the dehumidifier: its wheel configuration. This finding is of only limited value to the plaintiff here, however, given Matsui's use of "honeycomb" is only in connection with the wheel, not its resin dryer, and given the other factors herein delineated.

c. The Similarity of the Products

The question with respect to this factor of likelihood of confusion is whether the products are the kind the purchasers and users of the goods attribute to a single source. McGraw-Edison, 787 F.2d at 1169. There is a direct correlation between product similarity and likelihood of confusion: "the more closely products are related the more likely sources may be confused." Union Carbide, 531 F.2d at 382. However, "[t]he fact that the products at issue may be 'very different' is not dispositive of the issue of similarity of the products in determining the existence of a likelihood of confusion between products." Id. In the spectrum of similarity, the case law has created three categories of products, listed in order of descending similarity: 1) competitive, 2) noncompetitive but related, and 3) noncompetitive and nonrelated. A likelihood of confusion may exist for competitive products and for noncompetitive but related products.

As a factual matter, we find that Munters' dehumidifier and desiccant wheel are not competitive with Matsui's resin dryer and desiccant wheel. Despite Munters' protesta-

tions to the contrary, the evidence shows that the two products are not interchangeable and purchasers do not substitute Munters' products with Matsui's products. Munters' dehumidifier is designed and used for space dehumidification. Matsui's product is considerably more specialized and is used exclusively for plastic resin drying. The only evidence that Matsui's dehumidifier can serve the same function as Munters' is one incident in which a Munters dehumidifier was substantially altered. Aside from this example, the evidence demonstrates that Matsui's and Munters' products are not interchangeable.

Products need not be directly competitive for a likelihood of confusion to exist. Consumers may confuse similar marks on noncompetitive but related goods. In determining whether Munters' and Matsui's products are related we analyze degree, not kind. In some, albeit nonmeaningful, sense all products are related. For our purposes, however, we must determine whether the products are sufficiently related so that consumers will confuse Matsui's use of "honeycomb" to describe the configuration of its desiccant wheel as emanating from Munters.

We find as a factual matter that Munters' and Matsui's products here are not sufficiently related to give rise to confusion. Munters would wish us to categorize the relevant market as "auxiliary plastics machinery", and thus find the products strongly related. The facts, however, belie such a finding. Munters does not carry a resin dryer or any of the other auxiliary equipment offered by Matsui. Material drying is a separate market into which Munters has not ventured. Although we recognize that the products before us are not completely unrelated, we find that they are sufficiently unrelated and dissimilar that Matsui's use of

"honeycomb" in describing its wheel would not cause any confusion among the relevant class of buyers.

d. The Degree of Care Likely to be Exercised By Consumers

Where the cost of the trademarked product is high, the courts assume that purchasers are more likely to be discriminating than they otherwise might be. Source Telecomputing, 635 F. Supp. 600 (citing Maxim's Limited v. Badonsky, 797 F.2d 1388, 393 (7th Cir. 1985)). As discussed above, we find that the purchasers of the products here are sophisticated and discriminating. We are convinced that considerable expense and planning is involved in purchasing ventilation equipment and material handling systems. We therefore find that the degree of care likely to be exercised by industrial purchasers of these products does not support a finding of likelihood of confusion. In addition, due to the degree of sophistication of the purchasers of this equipment, and the resulting high degree of care exercised, we accord great weight to this factor in the analysis. Much of the case law regarding the likelihood of confusion issue has developed in response to products marketed to a wide and unknowledgeable consuming public. This is clearly not the case before us.

e. The Similarity of the Channels of Distribution

Munters and Matsui distribute their products to their respective customers through their direct sales forces and through sales representatives. The evidence establishes that there is no overlap in sales representatives. Further, there is no evidence that any common retail outlet or distributor carries both Munters' space dehumidifier and Matsui's resin dryer.

As discussed above, we find that Munters' space dehumidifier and Matsui's resin dryer are in two separate markets. We also find that the two channels of trade are substantially distinct. We note that Munters' argument that it markets its dehumidifier to the same customers who buy Matsui's resin dryer is not without merit. However, Munters can point to only one processing plant that used its dehumidifier and a resin dryer of any manufacturer. As a result, we find that the channels of distribution are sufficiently dissimilar that this element of the likelihood of confusion does not help the plaintiff.

f. The Intent of Matsui

A showing by plaintiff of bad faith intent on the part of alleged infringer is another factor that supports a finding of likelihood of confusion. Ziebart Int'l, 802 F.2d at 227. Munters does not challenge Matsui's assertion that it, Matsui, originally adopted the word "honeycomb" without knowledge of Munters' previous use. Rather, Munters argues that the court should infer from Matsui's intentional, continued use of the word "honeycomb" "after notice from plaintiff and after agreeing to terminate such use" that Matsui had bad faith intent. The position of the Seventh Circuit on this question is clear: "it is lawful to use a mark that does not infringe some other; intentional infringement creates some problems, but intentional use of a mark that [the defendant] had every right to use is not itself a ground on which to draw an adverse inference." M-F-G Corp. v. EMRA Corp., 817 F.2d 410, 412 (7th Cir. 1987).

Also, mere knowledge on the part of the defendant of the plaintiff's mark and the defendant's refusal to relinquish its mark upon demand are not necessarily

indicative of bad faith. Those actions could also be explained by a good faith judgment on the part of the defendant that its use does not infringe the plaintiff's mark. Source Telecommuting, 635 F. Supp. at 614. We will not make an inference of bad faith from evidence of conduct that is compatible with a good faith business judgment. Absent any evidence of bad faith, we find that this element of the mark's strength does not point to a likelihood of confusion.

g. The Evidence of Actual Confusion

Actual confusion is the best evidence of likelihood of confusion. Union Carbide, 531 F.2d at 383. Munters presented none of this evidence. Munters offered no evidence of misdirected mail, or of telephone calls or inquiries indicating confusion from customers or potential customers. Also, Munters did not present any survey evidence indicating confusion. See McGraw-Edison, 787 F. 2d at 1172-73. Munters' only evidence of actual confusion was the testimony by its Director of Technology that Munters' own sales representatives were confused by Matsui's use of the word "honeycomb" as to whether Matsui was using Munters rotors. The purpose of the likelihood of confusion test is to determine the confusion of consumers, or potential consumers, as to the source of the goods in question. We give very little weight to the evidentiary inference Munters would apparently like us to make: customers are or will be confused because Munters' sales representatives are confused.

After considering and weighing all the factors, as set forth by this Circuit, and viewing the totality of the circumstances, we reach the conclusion that the facts do not

sustain a finding that the current and potential purchasers and users of Munters' and Matsui's products are likely to be confused as to the source of the respective goods being rendered by Munters under the mark "HoneyCombe" and Matsui's use of the word "honeycomb." Accordingly, we find that Munters' Lanham Act claim and pendent state and common law claims relating to infringement and unfair competition are without merit since proof of likelihood of confusion as to the source is essential to prevail on any of these causes of action.[3]

2. Fair Use Doctrine

Section 33(b) of the Lanham Act provides that if a registered mark has become incontestable, as is the case

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3. The Illinois Deceptive Trade Practices Act defines as deceptive conduct that which:

> (2) causes likelihood of confusion or of misunderstanding as to the source,sponsorship, approval or certification of goods or services;
>
> (3) causes likelihood of confusion or of misunderstanding as to the affiliation, connection, or association with or certification by another.

Ill. Rev. Stat. ch. 121 1/2, sec. 312.

Under this act, which codified the Illinois common law of unfair competition, a defendant is liable only if the plaintiff can establish a likelihood of confusion between the parties' products. In addition, "'[l]ikelihood of confusion' has the same meaning in unfair competition cases under the Deceptive Trade Practices Act as it has in traditional infringement cases." McGraw-Edison, 787 F.2d at 1173-74 (quoting Hooker v. Columbia Pictures Industries, Inc., 551 F. Supp. 1060, 1064 (N.D. Ill. 1982)).

2. Fair Use Doctrine

Section 33(b) of the Lanham Act provides that if a registered mark has become incontestable, as is the case here with Munters' mark "HoneyCombe", "the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark." 15 U.S.C. sec. 1115(b). The Act subjects this general rule to seven explicit defenses, one of which is the "fair use" defense. 15 U.S.C. sec. 1115(g)(4). The Lanham Act provides this defense against valid trademarks when the term is not being used as a trademark by the party charged with infringement and is used in good faith to describe the product to its customers. A.J. Canfield, 796 F.2d at 908; M.B.H. Enterprises, 633 F.2d 50. Section 33(b)(4) of the Lanham Act reads:

> That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a trade or service mark, of the party's individual name of anyone in privity with such a party, or of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods or services of such party, or their geographic origin ....

15 U.S.C. sec. 1115(g)(4). Therefore, to sustain on the fair use defense the defendant must establish three elements: 1) that the defendant used the word or symbol merely to describe its product; 2) that it did not use the word or symbol as a trademark; and 3) that it used the word or symbol in question in good faith. Matsui has satisfied each of these elements. Accord, Ringling Bros.-Barnum & Bailey v. Celozzi-Ettelson, 855 F.2d 480, 484 (7th Cir. 1988) (court omitted non-trademark element).

First, Matsui uses "honeycomb" merely to describe its desiccant wheel. Matsui does not use "honeycomb" in its advertising literature to describe its resin dryer, but rather uses it only to describe its wheel. Therefore, Munters' argument that "honeycomb" does not directly describe Matsui's dryer is misplaced. As discussed previously, "honeycomb" directly describes the desiccant wheel's configuration. A cross section of the wheel resembles "a tissue of holes separated by thin walls or partitions." Webster's Third New Int'l Dictionary. Although the most common definition of "honeycomb" is a "mass of hexagonal prismatic wax cells ... built by honeybees", id., "honeycomb" is also clearly descriptive of the properties of Matsui's wheel.

Second, we find that Matsui does not use the word "honeycomb" as a trademark. A trademark is any "word, name, symbol, or device" used by a manufacturer or merchant "to identify his goods and distinguish them from those manufactured by others." 15 U.S.C. sec. 1127. The evidence does not establish that "honeycomb" identifies or distinguishes Matsui's resin dryer or its desiccant wheel. As discussed previously, Matsui uses the word "honeycomb" accurately and merely to describe the wheel's configuration.

Third, Matsui used "honeycomb" in good faith. For the reasons discussed previously, we find that Munters has failed to establish bad faith intent on Matsui's part. The only evidence Munters presents is inferential: Matsui's continued use of the word "honeycomb" after the May 1988 agreement. However, as we stated, this conduct, without more, does not demonstrate bad faith. No evidence presented convinces us that Matsui's actions were not made within the context of good faith business judgment.

We therefore hold that Munters' Lanham Act claims are barred by the explicit fair use defense enumerated in the Lanham Act.

B. Illinois' Anti-Dilution Statute

The Illinois Anti-Dilution Act provides:

> Every person ... adopting and using a mark [or] trade name, ... may proceed by suit, and the circuit court shall grant injunctions, to enjoin subsequent use by another of the same or any similar mark [or] trade name ... if there exists a likelihood of injury to business reputation or of dilution of the distinctive quality of the mark [or] trade name ... of the prior user notwithstanding the absence of competition between the parties or of confusion as to the source of goods or services.

Ill. Rev. Stat. ch. 140, sec. 22 (1981). This Act "prevents the gradual whittling away of trademarks' distinctiveness through use by third parties on non-confusing, non-competing products." Ringling Bros., 855 F.2d at 482. The court must issue an injunction if: 1) the prior user shows a likelihood of injury to reputation; or 2) the prior user shows that the mark is distinctive and that the subsequent user's use dilutes that distinctiveness. McGraw-Edison, 787 F.2d at 1174; Hyatt Corp. v. Hyatt Legal Services, 736 F.2d 1153, 1157 (7th Cir.), cert. denied, 105 S. Ct. 434 (1984).

1. Injury to Reputation

Munters argues that because it does not control the quality of Matsui's products in connection with the word "honeycomb", there exists a likelihood of injury to Munters'

business reputation. However, nothing in the Illinois statute or the relevant case law equates the mere loss of control with injury. Although a subsequent user may detrimentally effect the business reputation of the prior user, the opposite result is equally plausible. The subsequent user may enhance the prior user's reputation. The two issues, control and reputation, can be, and are here, mutually exclusive.

Munters has not offered any evidence to suggest that Matsui's use of "honeycomb" in connection with its dryer will injure Munters' reputation. In fact, the evidence demonstrates the opposite conclusion. Matsui enjoys a reputation, which is here unchallenged, as a marketer and distributor of high quality plastic processing equipment. Munters offered no evidence to prove that Matsui's use of the word "honeycomb" had injured Munters' reputation or to suggest it would likely be injured in the future.

2. Dilution of Distinctiveness

The analysis of a mark's distinctiveness under the anti-dilution statute is similar to the analysis of its strength under the likelihood of confusion test of the Lanham Act.

Because the validity of Munters' mark is again not in question, our analysis here is not to determine the merits of a challenge to "HoneyCombe." Rather, we are here concerned with the relevant buying class' current recognition, or lack thereof, of Munters' mark and whether Matsui's use of "honeycomb" will detrimentally effect that recognition. See Exxon Corp. v. Exxene Corp., 696 F.2d 544, 550 (7th Cir. 1982) (court notes that without anti-dilution statute "mental image would be blurred" of first user's mark). Although this is not an analysis of the

potential purchasers of Munters' products.[4] Therefore, the fact that Munters' mark "HoneyCombe" is registered and incontestable does not, for the sake of this analysis, help. Instead, we adopt for purposes of determining the dilution of "HoneyCombe"'s distinctiveness, the reasoning previously discussed. For this purpose only we find Munters' mark in connection with its desiccant wheel weak, and in connection with its dehumidifier somewhat stronger.

We next address whether Matsui's use of "honeycomb" will dilute the commercial magnetism of Munters' mark. See Polaroid Corp. v. Polaraid Inc., 319 F.2d 830, 836 (7th Cir. 1963) ("dilution is an infection which, if allowed to spread, will inevitably destroy the advertising value of the mark"). We find it will not. "Important factors in this determination [of dilution] are the similarity between the marks used by the parties, and the extent of the marketing effort by the second user." Hyatt, 736 F.2d at 1158,

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4. The Seventh Circuit has not established whether "distinctiveness" means something different under the Illinois Anti-Dilution Act from under the Lanham Act. In Ringling Bros., 855 F.2d at 483, the court considered the argument suggesting such a distinction "unique" and of "dubious merit." However, the court did not reach the merits of this issue.

We have chosen to analyze "distinctiveness" under the likelihood of confusion test of the Lanham Act, under which "HoneyCombe"'s conclusive presumption of distincitveness is not determinative. If we were to define "distinctiveness" under the Anti-Dilution Act as it is defined for validity purposes under the Lanham Act, our finding would be different: we would conclusively presume "HoneyCombe" distinctive. In either case, our outcome here would be the same because the Anti-Dilution Act applies only to trademarks, which Matsui's use of "honeycomb" is not.

value of the mark"). We find it will not. "Important factors in this determination [of dilution] are the similarity between the marks used by the parties, and the extent of the marketing effort by the second user." Hyatt, 736 F.2d at 1158, (citing Polaroid, 319 F.2d at 832); Instrumentalist Co. v. Marine Corps League, 509 F. Supp. 323, 323 (N.D. Ill. 1981)). First we note our previous discussion of the two marks' similarities. Second, the Hyatt court notes and the plain language of the statute makes clear this anti-dilution statute anticipates the gradual erosion of the strength of a trademark by another trademark. As we noted earlier, Matsui does not use "honeycomb" as a trademark. Consequently, a second important indicia of dilution, the marketing effort by Matsui, is in this context a non sequitur: Matsui does not market its products under "honeycomb." The purpose of this Act is presumably not to stifle the non-trademark use of descriptive words. Rather, this statute protects trademarks in cases in which the likelihood of confusion is too slight to warrant injunction, but in which a second user waters down the effectiveness of the first user's mark. We are not faced with this scenario in the case before us. Munters' mark is not strong, and Matsui's use of "honeycomb" does nothing to detract from the magnetism of Munters' mark. We therefore find that Matsui's use of the word "honeycomb" does not dilute whatever distinctiveness Munters' mark "HoneyCombe" possesses.

C. Breach of Contract

Munters further argues that Matsui breached an agreement signed in May 1988 between the two parties when Matsui continued to describe its desiccant wheel in advertising literature using the word "honeycomb." Munters contends the agreement required Matsui to cease using any

form of the word "honeycomb." Matsui counters by arguing that the agreement incorporated by reference an earlier accord in which Matsui agreed to cease using "honeycomb" in its trademark capacity but reserved the right to continue using "honeycomb" in its non-trademark sense.

We do not need to resolve the ambiguity of this agreement because the scope of relief sought by Munters--that this Court enjoin Matsui from continued use of "honeycomb" in trademark form--is the same as Matsui's interpretation of its obligations under the agreement. Munters does not seek to enjoin Matsui from any and all use of the word "honeycomb"; it seeks only to enjoin Matsui's infringement of Munters' mark. For the reasons we have previously stated, we hold that Matsui's use of the word "honeycomb" in its non-trademark sense in its advertising literature does not infringe Matsui's use of "HoneyCombe." Thus Matsui's post-agreement conduct does not exceed the relief sought here by Munters.

IV. CONCLUSION

For the above reasons we deny the plaintiff's motion for permanent injunction to the extent defendant continues only to use the word "honeycomb" in its non-trademark form to describe fairly the configuration of its desiccant wheel located within its resin dryer. We also deny the defendant's

motion to amend its answer and counterclaim challenging the registration status of the plaintiff's valid trademark.

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s/ James B. Zagel
James B. Zagel
United States District Judge

Date Oct. 25, 1989